

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
HAWAIIAN ELECTRIC COMPANY, INC.)
For Approval of Rate Increases)
And Revised Rate Schedules and)
Rules)
_____)

DOCKET NO. 2006-0386

ORDER NO. 23612

Filed August 24, 2007
At 11 o'clock A.M.

Karen Higashi
Chief Clerk of the Commission

RECEIVED

2007 AUG 27 A 9:46

DIV. OF CONSUMER ADVOCACY
PUBLIC UTILITIES COMMISSION
1505 KALANIANAʻOHE AVENUE
HONOLULU, HAWAII 96813

ATTEST: A True Copy
KAREN HIGASHI
Chief Clerk, Public Utilities
Commission, State of Hawaii.

Karen Higashi

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
HAWAIIAN ELECTRIC COMPANY, INC.)
For Approval of Rate Increases)
And Revised Rate Schedules and)
Rules)
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Docket No. 2006-0386
Order No. 23612

ORDER

By this Order, the commission approves the proposed Stipulated Prehearing Order filed by HAWAIIAN ELECTRIC COMPANY, INC. ("HECO"), the DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS, DIVISION OF CONSUMER ADVOCACY, and the DEPARTMENT OF THE NAVY on behalf of the DEPARTMENT OF DEFENSE (collectively, the "Parties") on July 23, 2007, attached hereto as Exhibit 1, with modifications, discussed herein.

I.

Stipulated Prehearing Order

A.

Statement of Issues

As set forth in the Parties' proposed Stipulated Prehearing Order, the Parties agreed upon the following Statement of Issues for this proceeding:

1. Is HECO's proposed rate increase reasonable?
 - a. Are the proposed tariffs, rates, charges and rules just and reasonable?
 - b. Are the revenue forecasts for Test Year 2007 at present rates and proposed rates reasonable?
 - c. Are the projected operating expenses for Test Year 2007 reasonable?
 - d. Is the projected rate base for Test Year 2007 reasonable, and are the properties included in rate base used or useful for public utility purposes?
 - e. Is the requested rate of return fair?
2. What is the amount of the Interim Rate Increase, if any, to which HECO is probably entitled under § 269-16(d) of the Hawaii Revised Statutes?¹

The commission finds the foregoing issues to be reasonable. However, the commission determines that consideration of HECO's energy cost adjustment clause ("ECAC") should also be included as an issue in this docket, in accordance with Act 162, 2006 Session Laws of Hawaii ("Act 162"). Act 162 amended HRS § 269-16 to provide that:

Any automatic fuel rate adjustment clause requested by a public utility in an application filed with the commission shall be designed, as determined in the commission's discretion, to:

¹Stipulated Prehearing Order, Section I, at 2-3.

- (1) Fairly share the risk of fuel cost changes between the public utility and its customers;
- (2) Provide the public utility with sufficient incentive to reasonably manage or lower its fuel costs and encourage greater use of renewable energy;
- (3) Allow the public utility to mitigate the risk of sudden or frequent fuel cost changes that cannot otherwise reasonably be mitigated through other commercially available means, such as through fuel hedging contracts;
- (4) Preserve, to the extent reasonably possible, the public utility's financial integrity; and
- (5) Minimize, to the extent reasonably possible, the public utility's need to apply for frequent applications for general rate increases to account for the changes to its fuel costs.

The requirements of Act 162 became codified as HRS § 269-16(g). Accordingly, the commission finds it appropriate to specifically include in this docket the issue of whether HECO's ECAC complies with the requirements of HRS § 269-16(g).

Based on the foregoing, the commission amends the Statement of Issues in the Parties' proposed Stipulated Prehearing Order by inserting Issue No. 3, as follows:

3. Whether HECO's ECAC complies with the requirements of HRS § 269-16(g)?

B.

Schedule of Proceedings

In Section II of the Stipulated Prehearing Order, Schedule of Proceedings, the Parties noted that they separately filed a stipulated procedural schedule on May 4, 2007, which was approved by the commission in Order No. 23442, filed on May 17, 2007. The commission approves the Parties' incorporation of the stipulated procedural schedule, previously approved by the commission in Order No. 23442, as the Schedule of Proceedings in this docket. However, the commission amends the post-hearing procedures set forth in the stipulated procedural schedule by directing the Parties to file, in lieu of Simultaneous Opening Briefs and Simultaneous Reply Briefs, Proposed Findings of Fact and Conclusions of Law four weeks after hearing transcripts are filed with the commission, and Responses to Proposed Findings of Fact and Conclusions of Law three weeks after the filing of Proposed Findings of Fact and Conclusions of Law. Thus, the stipulated procedural schedule is amended, in relevant part, as follows:

Simultaneous Opening Briefs by Parties <u>Simultaneous Proposed Findings of Fact and Conclusions of Law</u>	4 weeks after Transcripts
Simultaneous Reply Briefs by Parties <u>Simultaneous Responses to Proposed Findings of Fact and Conclusions of Law</u>	3 weeks after Opening Briefs <u>Simultaneous Proposed Findings of Fact and Conclusions of Law</u>

In addition to the required number of hard copies to be filed with the commission under the commission's rules of practice and procedure and the Parties' Stipulated Prehearing Order, the Parties shall submit their Proposed Findings of Fact and Conclusions of Law and Responses to Proposed Findings of Fact and Conclusions of Law in a standard electronic format (i.e., Word 97, Word 2000, or Word 2003) to the commission. The format and content of the Proposed Findings of Fact and Conclusions of Law and responses thereto may be discussed in further detail at the Prehearing Conference, scheduled for October 18, 2007.

II.

Orders

THE COMMISSION ORDERS:

1. Section 1, Statement of Issues, of the Parties' Stipulated Prehearing Order, filed on July 23, 2007, is amended as follows:

1. Is HECO's proposed rate increase reasonable?
 - a. Are the proposed tariffs, rates, charges, and rules just and reasonable?
 - b. Are the revenue forecasts for Test Year 2007 at present rates and proposed rates reasonable?
 - c. Are the projected operating expenses for Test Year 2007 reasonable?

- d. Is the projected rate base for Test Year 2007 reasonable, and are the properties included in rate base used or useful for public utility purposes?
 - e. Is the requested rate of return fair?
2. What is the amount of the Interim Rate Increase, if any, to which HECO is probably entitled under HRS § 269-16(d)?
- 3. Whether HECO's ECAC complies with the requirements of HRS § 269-16(g)?**

2. The commission amends the Parties' stipulated procedural schedule, approved by the commission in Order No. 23442, filed on May 17, 2007, and incorporated herein, as follows:

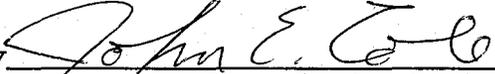
Simultaneous Opening Briefs by Parties <u>Simultaneous Proposed Findings of Fact and Conclusions of Law</u>	4 weeks after Transcripts
Simultaneous Reply Briefs by Parties <u>Simultaneous Responses to Proposed Findings of Fact and Conclusions of Law</u>	3 weeks after Opening Briefs <u>Simultaneous Proposed Findings of Fact and Conclusions of Law</u>

3. In all other respects, the Parties' Stipulated Prehearing Order, attached as Exhibit 1 hereto, is adopted as modified by this Order, and shall govern in this proceeding.

DONE at Honolulu, Hawaii AUG 24 2007.

PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By 
Carlito P. Caliboso, Chairman

By 
John E. Cole, Commissioner

By 
Leslie H. Kondo, Commissioner

APPROVED AS TO FORM:


Kaiulani Kidani Shinsato
Commission Counsel

2006-0386.eh

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

PUBLIC UTILITIES
COMMISSION

2007 JUL 23 P 4: 12

FILED

-----In the Matter of the Application of-----)
)
 HAWAIIAN ELECTRIC COMPANY, INC.)
)
 For Approval of Rate Increases and Revised)
 Rate Schedules and Rules)
 _____)

Docket No. 2006-0386

STIPULATED PREHEARING ORDER NO. _____

Filed _____, 2007

At _____ o'clock ____ .M.

Chief Clerk of the Commission

that the filing date of HECO's application is December 22, 2006, and directed HECO and the Consumer Advocate to initiate the discovery process without delay and submit to the Commission a stipulated procedural schedule.

On April 5, 2007, HECO and the Consumer Advocate filed a stipulated procedural schedule.

On April 13, 2007, the Commission issued Order No. 23366, which denied LOL's motion and granted DOD's motion.

On April 23, 2007, the Commission issued a letter that instructed HECO, the Consumer Advocate and the DOD (collectively "Parties") to re-submit a stipulated procedural schedule that incorporates the DOD into the procedural schedule of this proceeding.

On April 23, 2007, the Commission issued Protective Order No. 23378 to govern the classification, acquisition and use of confidential information by any party in this docket.

On May 17, 2007, the Commission issued Order No. 23442, approving the Parties' Revised Stipulated Procedural Schedule, filed on May 4, 2007.

On June 4, 2007, the Commission issued Amended Protective Order No. 23378 which revised the protective order to include the DOD.

HECO, the Consumer Advocate and the DOD have reached agreement on the prehearing matters and submitted a Stipulated Prehearing Order acceptable to the Parties.

ACCORDINGLY, IT IS ORDERED that the following Statement of Issues, Schedule of Proceedings, and procedures shall be utilized in this docket.

I. STATEMENT OF THE ISSUES

The issues in this case are:

1. Is HECO's proposed rate increase reasonable?

- a. Are the proposed tariffs, rates, charges and rules just and reasonable?
 - b. Are the revenue forecasts for Test Year 2007 at present rates and proposed rates reasonable?
 - c. Are the projected operating expenses for Test Year 2007 reasonable?
 - d. Is the projected rate base for Test Year 2007 reasonable, and are the properties included in rate base used or useful for public utility purposes?
 - e. Is the requested rate of return fair?
2. What is the amount of the Interim Rate Increase, if any, to which HECO is probably entitled under §269-16(d) of the Hawaii Revised Statutes?

II. SCHEDULE OF PROCEEDINGS

On May 4, 2007, the Parties have separately filed a stipulated procedural schedule which the Commission approved in Order No. 23442 on May 17, 2007.

III. MISCELLANEOUS MATTERS TO FACILITATE AND EXPEDITE THE ORDERLY CONDUCT OF THESE PROCEEDINGS

A. Requests for Information

A Party to this proceeding may submit information requests to another Party within the time schedule specified in this Stipulated Prehearing Order. If a Party is unable to provide the information requested within the prescribed time period, it should so indicate to the inquiring Party as soon as possible. The Parties shall then endeavor to agree upon a later date for submission of the requested information. If the Parties are unable to agree, the responding Party may seek approval for the late submission from the Commission upon a showing of good cause. It is then within the Commission's discretion to approve or disapprove such late filings and take any additional action that may be appropriate, such as extending the date for the Party to

respond.

In lieu of responses to information requests that would require the reproduction of voluminous documents or materials (e.g. documents over 50 pages), the documents or materials may be made available for reasonable inspection and copying at a mutually agreeable designated location and time. In the event such information is available on computer diskette or other readily usable electronic medium, the Party responding to the information request shall make the diskette or such electronic medium available to the other Parties, and the Commission. Subject to objections that may be raised and to the extent practicable, the electronic files for spreadsheets will contain all cell references and formulae intact, and will not be converted to values prior to submission. A Party shall not be required, in a response to an information request, to provide data that is/are already on file with the Commission or otherwise part of the public record, or that may be stipulated to pursuant to Part D, infra. The responding Party shall, in lieu of production of a document in the public record, include in its response to the information request an identification of the document with reasonable specificity sufficient to enable the requesting Party to locate and copy the document. In addition, a Party shall not be required, in a response to an information request, to make computations, compute ratios, reclassify, trend, calculate, or otherwise rework data contained in its files or records.

For each response to an information request, the responding Party should identify the person who is responsible for preparing the response as well as the witnesses who will be responsible for sponsoring the response at the evidentiary hearing.

A Party may object to responding to an information request that it deems to be irrelevant, immaterial, unduly burdensome, onerous or repetitious, or where the response contains information claimed to be privileged or subject to protection (confidential information). If a

Party claims that information requested is confidential, and withholds production of all or a portion of such confidential information, the Party shall: (1) provide information reasonably sufficient to identify the confidential information withheld from the response, without disclosing privileged or protected information; (2) state the basis for withholding the confidential information (including, but not limited to, the specific privilege applicable or protection claimed for the confidential information and the specific harm that would befall the Party if the information were disclosed); and (3) state whether the Party is willing to provide the confidential information to some or all representatives of the Party pursuant to a protective order.

A Party seeking production of documents notwithstanding a Party's claim of confidentiality, may file a motion to compel production with the Commission.

The responses of each Party to information requests shall adhere to a uniform system of numbering agreed upon by the Parties. For example, the first information request submitted by the Consumer Advocate in this docket shall be referred to and designated as "CA-IR-1," and a response to this information request shall be referred to and designated as "Response to CA-IR-1."

Each response shall be provided on a separate page and shall recite the entire question asked and set forth the response and/or reference the attached responsive document.

B. Witnesses

Witnesses submitting written testimony and exhibits shall be made available for cross-examination at the evidentiary hearing. Witnesses should file the workpapers used in preparing the evidence they sponsor at the time they submit their testimony and exhibits (statement of position) and have such workpapers available at the evidentiary hearing. Witnesses will not be permitted to read prefiled written testimony at the evidentiary hearings.

At the evidentiary hearing, each witness may give a brief oral summary of the written testimony and exhibits and shall summarize the issues raised by such testimony or statement of position. Each witness shall be subject to cross-examination for both direct and rebuttal testimony and exhibits or statement of position.

The Parties shall cooperate to accommodate the schedules of mainland witnesses and will inform the Commission in advance of any scheduling difficulties with respect to such witnesses. If a Party has an objection to a timely request to schedule a mainland witness in advance of other witnesses, the Party shall make a timely objection to the Commission. The Parties will make their best effort to accommodate the schedules of mainland witnesses by coordinating their appearance at the evidentiary hearing.

C. Form of Prepared Testimony

All prepared testimony, including text and exhibits, shall be prepared in written form on 8-1/2" x 11" paper with line numbers and page numbers, and shall be served on the dates designated in the Schedule of Proceedings.

Each Party shall be permitted to follow its own numbering system for written testimony and exhibits, provided that the numbering system utilized is consistent and is clearly understandable. Each Party shall prepare a list of its exhibits by exhibit numbers and titles.

The Parties shall be permitted to make revisions to exhibits after the designated dates appearing in the Schedule of Proceedings. Revisions shall bear appropriate revision dates. However, revisions or additions that do more than correct typographical errors, update facts, or give numerical comparisons of the positions taken by the Parties, shall not be submitted except with the approval of the Commission.

Generally, exhibits should include appropriate footnotes, or narratives inserted in the

related testimony, setting forth the sources of the information used and explaining the methods employed in making statistical compilations or estimates.

D. Matters of Public Record

To reduce unnecessary reproduction of documents and to facilitate these proceedings, identified matters of public record shall be admissible in this proceeding without the necessity of reproducing each document; provided that the document to be admitted is clearly identified by reference to the place of publication, file or docket number, and the identified document is available for inspection by the Commission and the Parties; and further provided that any Party has the right to explain, qualify or conduct examination with respect to the identified document. The Commission can rule on whether the identified document can be admitted into evidence when a Party proffers such document for admission as evidence in this case.

From time to time, the Parties may enter into stipulations that such documents, or any portion of such documents, may be introduced into evidence in this case.

E. Copies of Testimony, Exhibits and Information Requests

1. Testimony, Exhibits, Workpapers, Information Requests, Responses to Information Requests, Briefs:

Commission	Original + 8 copies
HECO	3 copies
Consumer Advocate	6 copies
DOD	2 copies

2. All pleadings, briefs and other documents required to be filed with the Commission shall comply with the formatting requirements prescribed pursuant to Chapter 61, Subchapter 2, Section 6-61-16 of the Commission's Rules of Practice and Procedure and shall be filed at the office of the Commission in Honolulu within the time limit prescribed pursuant to

Chapter 61, Subchapter 2, Section 6-61-15 of the Commission's Rules of Practice and Procedure.

3. Copies of all filings, information requests and information request responses should be sent to the Parties by hand delivery or United States mail (first class, postage prepaid). In addition, if available, all Parties shall provide copies of their filings, information requests and information request responses to the other Parties via diskette or e-mail in a standard electronic format that is readily available by the Parties. The Parties agree to use Word 97, Word 2000 or Word 2003 as the standard programming format for filings in this case. However, if workpapers, documentation, or exhibits attached to any filing are not readily available in an electronic format, a Party shall not be required to convert such workpapers, documentation, or exhibits into an electronic format. Also, existing documents produced in response to requests need not be converted to Word 97/Word 2000/Word 2003 as long as the applicable format is identified. In the event a copy of a filing, information request or information request response is delivered to a Party via diskette or e-mail, unless otherwise agreed to by such Party, the same number of copies of such filing, information request or information request response must still be delivered to such Party by hand delivery or United States mail (first class, postage prepaid) as provided in Parts F.1 above.

F. Order of Examination at the Evidentiary Hearing

Pursuant to Chapter 61, Subchapter 3, Section 6-61-31, of the Commission's Rules of Practice and Procedure, HECO's witnesses shall open with its direct case. The Consumer Advocate's direct case shall be presented after HECO's direct case, followed by DOD's direct case. HECO shall close with its rebuttal case.

Examination of any witness shall be limited to one attorney or representative for a Party. The Parties shall avoid duplicative or repetitious cross-examination. Friendly cross-examination

will not be allowed. Cross-examination shall be limited to witnesses whose testimony is adverse to the Party desiring to cross-examine. Recross-examination shall be limited to the extent of material covered in redirect examination unless otherwise permitted by the Commission.

G. Communications

Chapter 61, Subchapter 3, Section 6-61-29 of the Commission's Rules of Practice and Procedure concerning ex parte communications is applicable to any communications between a Party and the Commission. However, the Parties may communicate with Commission counsel on matters of practice and procedure through their own counsel or designated official.

Communications between the Parties should either be through counsel or through designated representatives. All pleadings, papers, and other documents filed in this proceeding shall be served on the opposing Party. All motions, supporting memoranda, and the like shall also be served on opposing counsel.

H. General

These procedures are consistent with the orderly conduct of this docket. This Stipulated Prehearing Order shall control the subsequent course of these proceedings, unless modified by the Parties in writing and approved by the Commission, or upon the Commission's own motion.

This Stipulated Prehearing Order may be executed by the Parties in counterparts, each of which shall be deemed an original, and all of which taken together shall constitute one and the same instrument. The Parties may execute this Stipulated Procedural Order by facsimile for initial submission to the Commission to be followed by the filing of originals of said facsimile pages.

DONE at Honolulu, Hawaii, this _____ day of _____, 2007.

PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By _____
Carlito P. Caliboso, Chairman

By _____
John E. Cole, Commissioner

By _____
Leslie H. Kondo, Commissioner

APPROVED AS TO FORM:

By _____
Kaiulani Kidani Shinsato
Commission Counsel

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Stipulated Prehearing Order No. _____ upon the following Parties, by causing a copy hereof to be mailed, postage prepaid, and properly addressed to each such Party.

DEPARTMENT OF COMMERCE AND
CONSUMER AFFAIRS
DIVISION OF CONSUMER ADVOCACY
335 Merchant Street, Room 326
Honolulu, Hawaii 96813

WILLIAM A. BONNET
VICE PRESIDENT, GOVERNMENT AND
COMMUNITY AFFAIRS
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DEAN K. MATSUURA
DIRECTOR-REGULATORY AFFAIRS
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RANDALL Y. K. YOUNG
ASSOCIATE COUNSEL (CODE 09C)
NAVAL FACILITIES ENGINEERING
COMMAND, PACIFIC
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Pearl Harbor, HI 96860-3134

DR. KHOJASTEH DAVOODI, P.E.
EFACHES
UTILITY RATES AND STUDIES OFFICE
1322 Patterson Avenue, S.E.
Building 33, Floor 3, Room/Cube 33-3002
Washington, D.C. 20374

Karen Higashi

DATED: _____

CERTIFICATE OF SERVICE

I hereby certify that I have on this date served a copy of the foregoing Order No. 23612 upon the following parties, by causing a copy hereof to be mailed, postage prepaid, and properly addressed to each such party.

CATHERINE P. AWAKUNI
EXECUTIVE DIRECTOR
DIVISION OF CONSUMER ADVOCACY
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
P. O. Box 541
Honolulu, HI 96809

WILLIAM A. BONNET
VICE PRESIDENT - GOVERNMENT AND COMMUNITY AFFAIRS
HAWAIIAN ELECTRIC COMPANY, INC.
P. O. Box 2750
Honolulu, HI 96840-0001

DEAN K. MATSUURA
DIRECTOR - REGULATORY AFFAIRS
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P. O. Box 2750
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PETER Y. KIKUTA, ESQ.
GOODSILL ANDERSON QUINN & STIFEL
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1099 Alakea Street
Honolulu, HI 96813

Counsel for Hawaiian Electric Company, Inc.

Certificate of Service

Page 2

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NAVAL FACILITIES ENGINEERING COMMAND PACIFIC
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Pearl Harbor, HI 96860-3134

Counsel for Department of the Navy on behalf
of the Department of Defense

DR. KHOJASTEH DAVOODI
EFACHES
1322 Patterson Avenue, S.E.
Building 33, Floor 3, Room/Cube 33-3002
Washington, DC 20374



Karen Higashi

DATED: AUG 24 2007